

MICHIGAN HOUSE OF REPRESENTATIVE

COMMERCE AND TRADE COMMITTEE

September 13, 2016

Good morning. I am John Loftus, Executive Director of the Detroit/Wayne County Port Authority. I have come to testify in favor of HB 5651, sponsored by Reps. Hughes, Byrd, Sheppard, Hovey-Wright and LaVoy. This legislation will amend the 1978 Port Authority Act, improving Port Authorities' ability to upgrade and promote Michigan maritime industry.

According the US Department of Transportation, over the next 30 years, freight movements in the United States are predicted to increase by 40% and in the State of Michigan by 60%. The Michigan Department of Transportation, along with local transportation agency, will be responsible for meeting the demands resulting from this freight growth. The options available to meet those obligations are somewhat limited. We could do nothing and as our roads becomes more congested, witness jobs move to other states or countries that have better transportation infrastructure. We could also increase our highway infrastructure by 40% to 60% to keep up with this demand. Or we could improve our under-utilized marine transportation infrastructure. A combination of the expanding and improving our existing roadway infrastructure and better utilization of our waterways is the logical approach.

Michigan is blessed by its proximity to the Great Lakes and their transportation potential. Michigan has more port/marine terminals than any state in the nation. But if marine transportation on the Lakes is to play a role in meeting these freight demands in the coming years these facilities need improvements.

In my 35 years of either working for or with Port Authorities, I have found these government agencies well suited to meet some of the transportation improvement needs of ports. Port Authorities have assisted in the development of port terminals including the construction of docks, warehouses, grain elevators and cargo handling equipment necessary for the efficient operation of the marine terminal. Port Authorities have assisted in improving and expanding infrastructure serving the ports including new rail spurs, overpasses, and roadways. These improvements are essential to improving the linkage from are waterway network to our surface transportation system

But for a Michigan Port Authority to provide such assistance, the existing Port Authority Act (Act 639 of 1978, the Hertel-Law-T. Stopczynski Act) needs to be amended as proposed by HB 5651. While the Port Authority Act provides some significant capabilities it places a very severe limitation on that authority by limited it to facilities owned by a Port Authority. This is not a very user friendly approach for private terminals or transportation companies that might like to take advantage of various forms of assistance that they could receive from Port Authorities in other states.

To make this point, I would like to use the example of the Rouge River in the Cities of Detroit, River Rouge and Dearborn. The two and half mile federal navigation channel located along the Rouge River is home to a dozen of more marine terminal, handling over 6 million tons of cargo and likely responsible

for well over 5000 jobs in the Detroit Area (see attachments). Many of these terminal have docks well over there design life of 50 years and some are approaching 100 years. The river is also crossed by multiple surface street including Jefferson, Fort Street and Dix as well as two rail crossing. There have been number of dock and bridge failures over the past 20 years. The most recent at the Carmeuse Lime and Stone Facility just last year. The shoreline collapsed and filled the Federal navigation channel, reducing the draft from 28 feet to 15 feet. That failure threatened the operation of AK Steel, St. Mary's Cement, Marathon Petroleum and several other terminals along the waterfront. Fortunately, the channel was cleared within five weeks, but the alarm has been sounded.

I bring this up to point out the danger that aging or inadequate infrastructure presents. Upgrading the infrastructure along the two and half mile stretch of the Rouge River to meet existing and future needs could cost between \$50 and \$100 million. A port authority with the appropriate capability could use its financing powers and issue tax exempt bonds with a 40 year payback and provide a very cost effective way of assisting companies needing to make these improvement. Unfortunately, under the existing law, all these property owners would need to deed their property over to the Port Authority to take advantage of such assistance. That is just not going to happen.

HB 5651 is designed change that reality. Changing the ownership requirement is a key feature of the legislation. But there are other changes that provide additional capabilities. These changes would allow financing for the rail bridges that cross the river, but don't necessarily serve the marine sector. HB 5651 is a critical step to moving Michigan's maritime interest forward. I hope you will be able to support the legislation and allow Michigan Port Authorities to be one options to meet the State's infrastructure needs.

Thank you for your time and attention. I am available to address any questions you may have.





